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C O N F I D E N T I A L SECTION 01 OF 04 ASHGABAT 000704

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SUBJECT: TURKMENISTAN AND PAKISTAN: PROBLEMS ABOUND

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Classified By: CLASSIFIED BY AMB TRACEY JACOBSON FOR REASONS 1.4 B AND D

Summary

1. (C) SUMMARY: PolOff met with Pakistani Deputy Chief of Mission in Turkmenistan, Dr. Ali Ahmad Arian on June 30 and talked about the bilateral relationship between Turkmenistan and Pakistan, including their declining trade relations, Trans-Afghan Pipeline feasibility, educational exchanges, and several proposed transport projects linking the two countries. Arian also shared his views and predictions about Turkmenistan's current and future political situation. END SUMMARY.

Economic and Trade Relations

2. (C) Turkmenistan and Pakistan have a primarily trade-based relationship right now, according to Arian, with Pakistan's main export crops comprising \$7 million worth of fruit and rice, which is traded on a largely informal basis. In return, Turkmenistan sells Pakistan roughly \$4-5 million in cotton through the official state exchange -- although he suspects there is more cotton trade that happens off-the-books -- as well as a limited amount of liquefied natural gas.

3. (C) There are approximately 100 Pakistanis living in Turkmenistan, mostly working for foreign oil or construction firms, but only a handful of Pakistani firms operating in Turkmenistan. The largest is the SKB construction company who owns a major downtown office building in the center of the city, called the World Trade Center where the headquarters of the Pakistan National Bank in Ashgabat are located. According to Arian, SBK is winding up its business in Turkmenistan as a direct result of obstruction and other problems with the government. The U.S. Embassy's Public Diplomacy Center was evicted from the building at Niyazov's insistence in 2003 and SKB has had problems renting out floors ever since. SBK is currently prohibited from renting office space to tenants of their choice, namely

businesses, since the government wants retail shops located there instead. Arian told PolOff that they are trying to get out8 and may sell the building shortly, and leave Turkmenistan for good.

Pakistan National Bank,s Woes

¶4. (C) Pakistan National Bank is Turkmenistan,s only international financial institution. Most of the expatriates living in Ashgabat and many Turkmenistani businesspeople keep their personal accounts there, because the bank provides better service and a wider range of services.8 Previously, Pakistan National Bank could conduct transactions via their branch in New York, which let clients easily make foreign currency payments to businesses in other countries. However, PNB has since lost this ability and now all international transactions must go through the Central Bank of Turkmenistan. Furthermore, PNB has been repeatedly denied permission from the Central Bank to offer personal loans by the Central Bank. A further problem is the staffing situation: although the host government insists that the Bank maintains a 30/70 percent ratio of Pakistani to Turkmenistani employees, at present the figure is closer to 10/90, and just a few weeks ago the bank,s new manager was denied a visa to Turkmenistan. When asked by PolOff how the bank makes money in the face of all these difficulties, Arian simply smiled wanly and spread his hands in lieu of an answer.

Bullish on Trans-Afghan Prospects

¶5. (C) Despite setbacks in the areas of trade, finance and new transport routes, Arian was somewhat positive on the prospects a Trans-Afghan pipeline. According to him, the proposed pipeline,s next step will be a meeting on the

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technical level.8 Although originally scheduled for June, the meeting has been postponed (Note: The 9th Trans-Afghan Pipeline steering committee meeting was held in Ashgabat in February. End Note.). He also noted that there have been three feasibility studies, and the latest, from the Asian Development Bank, will be available in the next few months. He admitted that he was not sure8 that there was as much gas as the government of Turkmenistan claims. He also confirmed that the UAE Ambassador approached the Pakistani Ambassador and expressed interest in providing financing, but no financial institution was identified. Additionally, Arian said that the current GazProm-Turkmenistan price negotiations are a very good thing8 since increased prices for Turkmenistan,s gas increase the feasibility8 and interest in a Trans-Afghan pipeline.

Proposed Transport Links: Trains, Planes and Automobiles

¶6. (C) Pakistan first proposed a rail link between the two countries in December of 2003. This is part of the plan to build a massive port facility at Gawadan in Baluchistan, but also has the potential to be an inexpensive way to ship goods to and from other Eurasian states, including Russia. The proposed route would pass through Herat and Kandahar. However, recent press reports saying that the railroad could start construction in the next month or two are a little over-ambitious,8 admitted Arian.

¶7. (C) According to Arian, the government of Turkmenistan has agreed to help upgrade the condition of the roads as their end of the railway deal. The existing road to Pakistan is not in very good condition,8 but is only 700km to Pakistan and if upgraded could boost trade significantly. The Turkmenistanis have supposedly promised to start the project this year. Arian also decried the general state of roads outside Ashgabat, having returned from a trip to Mary the day before.

¶8. (C) Prior to Operation Enduring Freedom, Turkmenistan Airlines flew twice a week between Ashgabat and Karachi. There have been several attempts since this time to restart air connections between the two nations. A year ago, President Niyazov signed an agreement to start regular flights from Ashgabat to Lahore, but each time the embassy approaches Turkmenistan Airlines they claim that the route is not economically feasible, etc. and have declined even to run provisional flights for a few weeks. Pakistan,s national airline has regular flights to Meshed, Iran -- just 30km away from Ashgabat -- and Arian discussed the possibility of extending the flight route to Ashgabat but Pakistani airline officials responded negatively, citing Turkmenistan,s strict visa regime: &they are not giving visas to any person -- who will travel on our flight?8

Political & Economic Impediments: Pomp & Neutrality

¶10. (C) Arian attributed the somewhat strained relations and lack of progress on joint projects to Niyazov,s dissatisfaction with the amount of attention he has received from Islamabad. Specifically that there have been no recent high level (i.e. presidential or prime ministerial) visits to Ashgabat or invitations from Pakistan, which has made the Turkmenbashi &a little unhappy that he has been left out,8 said Arian. This is especially keen in light of visits by Musharref to other Central Asian capitals and to Baku. In Arian,s assessment, &what,s important to Niyazov are the ceremonial things. He is not interested in developing an actual relationship.8 The embassy is pinning its hopes on a high-level guest for Turkmenistan,s upcoming celebrations for its fifteenth year of independence. Arian has told Islamabad to convey to Musharref that he needs to &just have a cup of tea with this man, and our relationship will improve.8

¶11. (C) Another reason Arian cited for the problematic relationship is Turkmenistan,s dogged insistence on neutrality. Since &they are not members of most

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international organizations that we participate in,8 the opportunities for agreements and improved relations are therefore fewer. Furthermore, in Arian,s words, &neutrality is not an economic concept)- it,s a political one,8 and so Turkmenistan,s stance of non-alignment often prevents them from joining economically beneficial arrangements.

Educational and Cultural Exchanges

¶12. (C) While Arian maintained that educational exchange &has been (Pakistan,s) focus for the past few years,8 their initiatives seem to have all but fizzled out. Pakistan usually sent 30-40 students annually, mostly on professional courses of study, to the foreign service academy, banking institutes, and agricultural and textile industry courses. However, to date this year, only six students have gone, all of whom are army officers on a military exchange program. Arian chalked up the loss of students to a lack of interest because Turkmenistan,s government officials are more interested in exchanges with &more money8 for per diem. &We pay room and board, but the stipend is low, perhaps \$100 -- \$200 per month -- other countries, programs are more attractive.8 He also said that there are often problems with language, and that many candidates have a low level of English proficiency, so there are &few truly qualified candidates.8

¶13. (C) In addition, Pakistan has &repeatedly offered technical assistance in many areas,8 said Arian, including in the areas of diplomacy, banking, petroleum, etc., but thus far the ministries have either not approved or accepted any

of these offers for such visiting experts. Cultural exchange has also been very limited thus far. Arian said since the Turkmen people &really like music8 he has requested a music troupe or a folk or pop singer, since the two countries share a common musical heritage in his opinion. Moreover, the embassy is organizing a seminar on history and common ancestry between Pakistan and Turkmenistan, although this has not yet been approved by the government of Turkmenistan.

Political Assessment, Views On Turkmenistan,s Future

¶14. (C) In his overall assessment of Turkmenistan, Arian drew parallels between modern Turkmenistan and communist China in the 1990s. (Note: Arian served at the Pakistani Embassy in Beijing during this time. End Note.). He cited similarities including two different currency rates, constant intelligence surveillance and distrust of foreigners and &a certain rudeness8 in their attitude in dealing with diplomats. They &don,t know the social niceties8 complained Arian, and are often &very rude.8 In his opinion, &the only difference is that (in China) they had a party, and here there is just one man.8 Arian also had several complaints about the poor state of communications and infrastructure. He was critical of the fact that the internet does not work reliably and stated that the Embassy of Pakistan has not been able to send a fax to Islamabad for the last six months.

¶15. (C) Characterizing the current political climate as &very unfree,8 Arian also said that the Turkmenistani people are &very submissive.8 His major criticism was saved for the government: &They have ruined their educational and healthcare system,8 he said, but predicted that as soon as President Niyazov dies, &the Rukhnama stuff will go away,8 and that it was tolerated now only because people knew it would later &fade away.8 Arian also did not see Turkmenistan as fertile ground for Islamic extremism, either from a Taliban-like entity or imported from Iran. &People here dislike Iran,8 he claimed and they are &staunchly Sunni.8 More importantly, the fact that there was no existing organized group in Turkmenistan, Islamic or otherwise, meant that such a movement would have difficulty taking root.

Comment

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¶16. (C) All aspects of the Pakistan-Turkmenistan relationship seem to be declining because Niyazov feels slighted by the lack of attention from Pakistan,s leadership. Nonetheless, the Pakistanis are undaunted in their attempts to engage in Turkmenistan on many fronts, including economics, cultural and educational exchange, proposing new transport connections and most notably, moving forward on the Trans-Afghan Pipeline. While things may get back on track if the Pakistanis manage to secure a high-level visit during October,s Independence Day festivities, but despite the sincere efforts by Pakistan, the government of Turkmenistan may remain a frustrating and unreliable business partner. END COMMENT.

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